

**REPORT OF THE AUDIT OF THE
FORMER MERCER COUNTY
CLERK**

**For The Year Ended
December 31, 2006**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
FORMER MERCER COUNTY CLERK**

**For The Year Ended
December 31, 2006**

The Auditor of Public Accounts has completed the former Mercer County Clerk's audit for the year ended December 31, 2006. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees due the county for 2006 totaled \$86,357; however, available funds for payment only totaled \$64,622, resulting in a deficit of \$21,735 for the year ended December 31, 2006. This deficit is primarily attributed to un-deposited receipts of \$10,240 (net) and disallowed expenditures of \$11,495. This matter has been referred to the Kentucky State Police for further investigation.

Debt Obligations:

Lease agreements totaled \$85,119 as of December 31, 2006. Future payments of \$85,119 are needed to meet these obligations.

Report Comments:

- 2006-1 The Former County Clerk Should Eliminate The \$21,735 Deficit In His 2006 Fee Account
- 2006-2 The Former County Clerk Should Have Deposited All Receipts Into His Official Bank Account - Net Undeposited Receipts Totaled \$10,240
- 2006-3 The Former County Clerk Should Have Expended \$11,495 In Public Funds For Allowable Purposes
- 2006-4 The Former County Clerk Should Have Prepared Financial Reports And Settled With Fiscal Court Upon Vacation Of Office
- 2006-5 The Former County Clerk Should Have Paid Tangible Personal Property Taxes In A Timely Manner To The Burgin School District (\$6,995), The Harrodsburg School District (\$3,656), And The Mercer County Fiscal Court (\$7,297)
- 2006-6 The Former County Clerk Should Have Paid \$4,822 In Delinquent Property Taxes In A Timely Manner
- 2006-7 The Former County Clerk's Office Lacked Adequate Segregation Of Duties

Deposits:

The former County Clerk's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT	6
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS	9
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	13
COMMENTS AND RECOMMENDATIONS	17
APPENDIX A	22



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John D. Trisler, Mercer County Judge/Executive
The Honorable Ronnie Compton, Former Mercer County Clerk
The Honorable Chris Horn, Mercer County Clerk
Members of the Mercer County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the former County Clerk of Mercer County, Kentucky, for the year ended December 31, 2006. This financial statement is the responsibility of the former County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the former County Clerk for the year ended December 31, 2006, in conformity with the regulatory basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement indicated in the first paragraph. The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2007 on our consideration of the former County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of



The Honorable John D. Trisler, Mercer County Judge/Executive
The Honorable Ronnie Compton, Former Mercer County Clerk
The Honorable Chris Horn, Mercer County Clerk
Members of the Mercer County Fiscal Court

that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2006-1 The Former County Clerk Should Eliminate The \$21,735 Deficit In His 2006 Fee Account
- 2006-2 The Former County Clerk Should Have Deposited All Receipts Into His Official Bank Account - Net Undeposited Receipts Totaled \$10,240
- 2006-3 The Former County Clerk Should Have Expended \$11,495 In Public Funds For Allowable Purposes
- 2006-4 The Former County Clerk Should Have Prepared Financial Reports And Settled With Fiscal Court Upon Vacation Of Office
- 2006-5 The Former County Clerk Should Have Paid Tangible Personal Property Taxes In A Timely Manner To The Burgin School District (\$6,995), The Harrodsburg School District (\$3,656), And The Mercer County Fiscal Court (\$7,297)
- 2006-6 The Former County Clerk Should Have Paid \$4,822 In Delinquent Property Taxes In A Timely Manner
- 2006-7 The Former County Clerk's Office Lacked Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Mercer County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

September 21, 2007

MERCER COUNTY
 RONNIE COMPTON, FORMER COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

State Fees For Services	\$	847
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Fiscal Court		5,640
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 548,990	
------------------------	------------	--

Usage Tax	1,588,304	
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Tangible Personal Property Tax	1,748,606	
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Other-

Marriage Licenses	5,623	
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Occupational Licenses	25	
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Deed Transfer Tax	81,758	
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Delinquent Tax	194,366	4,167,672
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	14,879	
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Real Estate Mortgages	54,222	
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Chattel Mortgages and Financing Statements	53,748	
--	--------	--

Powers of Attorney	2,503	
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All Other Recordings	39,035	
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Charges for Other Services-

Candidate Filing Fees	1,330	
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Copywork	10,482	176,199
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Other:

Refunds/Overpayments	18,832	
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Miscellaneous	4,194	23,026
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Interest Earned		1,337
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Total Revenues		\$ 4,374,721
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The accompanying notes are an integral part of this financial statement.

MERCER COUNTY
 RONNIE COMPTON, FORMER COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 423,529

Usage Tax 1,537,744

Tangible Personal Property Tax 624,196

Licenses, Taxes, and Fees-

Delinquent Tax 27,213

Legal Process Tax 18,038

Miscellaneous 10,014 \$ 2,640,734

Payments to Fiscal Court:

Tangible Personal Property Tax 114,209

Delinquent Tax 19,943

Deed Transfer Tax 79,737 213,889

Payments to Other Districts:

Tangible Personal Property Tax 933,438

Delinquent Tax 95,411 1,028,849

Payments to Sheriff

3,323

Payments to County Attorney

28,115

Operating Expenditures:

Personnel Services-

Deputies' Salaries 189,929

Materials and Supplies-

Office Supplies 27,651

Other Charges-

Conventions and Travel 1,174

Election Expenses 1,711

Postage 6,972

Refunds 27,309

Inter-Account Transfer 1,165

Miscellaneous Office Expenses 7,548

Office Equipment and Software 1,240 264,699

The accompanying notes are an integral part of this financial statement.

MERCER COUNTY
 RONNIE COMPTON, FORMER COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Expenditures (Continued)

Debt Service:

Lease Purchases	\$ 39,880	
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Total Expenditures		\$ 4,219,489
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Less: Disallowed Expenditures -

Insufficient Documentation	(6,420)	
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Personal Attorney Fees	(4,000)	
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Personal Donations/Contributions	(962)	
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Unnecessary	(113)	
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Total Disallowed Expenditures		(11,495)
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Total Allowable Expenditures		4,207,994
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Net Revenues		166,727
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Less: Statutory Maximum		74,294
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Excess Fees		92,433
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Less: Expense Allowance	3,600	
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Training Incentive Benefit	2,476	6,076
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Excess Fees Due County for 2006		86,357
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Payment to Fiscal Court - March 14, 2007		50,000
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Balance Due Fiscal Court at Completion of Audit		\$ 36,357
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The accompanying notes are an integral part of this financial statement.

MERCER COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2006

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year. A schedule of excess of liabilities over assets is included in this report as a supplemental schedule.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MERCER COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The former County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The former County Clerk did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

MERCER COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 4. Leases

- A. The Office of the County Clerk is committed to a lease agreement with IOS Capital for four copiers. The agreement requires a monthly payment of \$615 for 48 months to be completed in February 2008. The total balance of the agreement was \$9,222 as of December 31, 2006.
- B. The Office of the County Clerk is committed to a lease agreement with Software Management for computer hardware and software. The agreement requires a monthly payment of \$2,811 for 60 months to be completed in April 2009. The total balance of the agreement was \$75,897 as of December 31, 2006.

MERCER COUNTY
 RONNIE COMPTON, FORMER COUNTY CLERK
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2006

Assets

Cash in Bank	\$ 208,309
Receivables - Deposited	113
Receivables - To Be Obtained	<u>41,823</u>
Total Assets	<u>250,245</u>

Liabilities

Paid Obligations:

Outstanding Checks	\$ 50,993	
State Treasurer-		
Motor Vehicle Licenses	10,071	
Tangible Personal Property Tax	36,086	
Mercer County-		
Tangible Personal Property Tax	6,647	
Excess Fees - 2006	50,000	
Other Taxing Districts-		
Tangible Personal Property Tax	54,319	
Bank Charge - NSF Check	<u>214</u>	
Total Paid Obligations	\$ 208,330	

Unpaid Obligations:

State Treasurer-		
Usage Tax	4,948	
Delinquent Tax	1,587	
Mercer County-		
Tangible Personal Property Tax	7,297	
Delinquent Tax	498	
Excess Fees - 2006	36,357	
Other Taxing Districts-		
Tangible Personal Property Tax	10,226	
Delinquent Tax	<u>2,737</u>	
Total Unpaid Obligations	<u>63,650</u>	

Total Liabilities	<u>271,980</u>
Total Fund Deficit as of December 31, 2006	<u>\$ (21,735)</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John D. Trisler, Mercer County Judge/Executive
The Honorable Ronnie Compton, Former Mercer County Clerk
The Honorable Chris Horn, Mercer County Clerk
Members of the Mercer County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the former Mercer County Clerk for the year ended December 31, 2006, and have issued our report thereon dated September 21, 2007. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Mercer County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the former Mercer County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the former Mercer County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations as items 2006-2 and 2006-7 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Mercer County Clerk's financial statement for the year ended December 31, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items: 2006-1, 2006-2, 2006-3, 2006-4, 2006-5 and 2006-6.

The former Mercer County Clerk's responses to the findings in our audit are included in the accompanying comments and recommendations. We did not audit the former County Clerk's responses; and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Mercer County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

September 21, 2007

COMMENTS AND RECOMMENDATIONS

MERCER COUNTY
 RONNIE COMPTON, FORMER COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2006

STATE LAWS AND REGULATIONS:

- 2006-1 The Former County Clerk Should Eliminate The \$21,735 Deficit In His 2006 Fee Account
-

The former County Clerk is responsible for a deficit of \$21,735 in his official account as of December 31, 2006. This deficit is attributed to \$10,240 of un-deposited receipts and \$11,495 of disallowed expenditures. We recommend the former County Clerk eliminate the \$21,735 deficit with a deposit of personal funds into his official bank account. This matter has been referred to the Kentucky State Police for further investigation.

Former County Clerk's Response: I strongly disagree with this audit

- 2006-2 The Former County Clerk Should Have Deposited All Receipts Into His Official Bank Account - Net Undeposited Receipts Totaled \$10,240
-

Test procedures conducted during the audit included a comparison of daily check out sheets to daily deposits. This comparison revealed in excess of fifty occurrences in which the daily check out sheet indicated more collections than the amount deposited (deposit shortages as high as \$1,630 were noted). The total amount of un-deposited receipts, based on our test procedures, was \$12,240. The former County Clerk deposited \$2,000 of personal funds into the account during July 2006, resulting in a net deposit shortage of \$10,240. This test also revealed that the former County Clerk held customer checks on several occasions, and in one instance, a check in the amount of \$996 was held for over two months before depositing (received on February 23, 2006 and deposited on May 9, 2006). The Governor's Office of Local Development (GOLD) has established requirements for all local government officials handling public funds. These requirements include "daily deposits intact into a federally insured banking institution" (KRS 68.210) and "personal funds kept separate from public funds" (KRS 64.850). The former County Clerk should have deposited all funds received by his office, intact, and on a daily basis.

Former County Clerk's Response: I conducted the same procedures that the prior County Clerk did. Giving cash refunds until I change that in July 2006 Also the previous County Clerk held checks also. I continued his same format. No other training

Auditor's Reply: The former County Clerk offered no explanation or documentation with regard to un-deposited receipts during the audit of his 2006 fee account.

- 2006-3 The Former County Clerk Should Have Expended \$11,495 In Public Funds For Allowable Purposes
-

Test procedures conducted during the audit revealed \$11,495 in expenditures that are not considered allowable expenses of a County Clerk's office. In Funk v. Milliken, 317 S. W. 2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

MERCER COUNTY
 RONNIE COMPTON, FORMER COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2006
 (Continued)

STATE LAWS AND REGULATIONS: (CONTINUED)

2006-3 The Former County Clerk Should Have Expended \$11,495 In Public Funds For Allowable Purposes (Continued)

The following schedule provides a breakdown of the expenditures made from the former official's fee account that are not allowable under Funk v. Milliken:

Reason for Disallowance	Amount	Expenditure Categories
Insufficient Documentation	\$ 6,420	Sponsorship in elementary school books, contract labor paid for elections, contribution to middle school baseball program, association dues, cable television, travel expenses, postage
Personal Attorney Fees	4,000	Legal representation – personnel matter
Personal Donations, Contributions & Advertising	962	High school athletic sponsorship & radio advertising, horse show sponsorship, beauty pageant sponsorship
Unnecessary	<u>113</u>	Commercial insurance paid for CY 2007 – term of office ended December 2006
Total Disallowed Expenditures	<u>\$ 11,495</u>	

The former County Clerk should have expended public funds only for allowable purposes. We recommend the former County Clerk deposit personal funds in the amount of \$11,495 into the 2006 fee account in order to reimburse the fee account for these expenditures.

Former County Clerk's Response: I feel that "public" funds were distributed for allowable purposes in Funk v. Milliken allowed expenditures that are adiquitly documented, reasonable in amount, beneficial to the public and that are not primarily personal in nature. See attached info.

Auditor's reply: Sufficient documentation for an expenditure of public funds includes an original invoice, a cash register receipt, or any form of valid documentation to support the expenditure. Cancelled checks were the only supporting documentation for the expenditures disallowed above for insufficient documentation.

The former County Clerk's response includes the reference, "See attached info." We have included the former County Clerk's "attached info" as appendix A with this report.

MERCER COUNTY
 RONNIE COMPTON, FORMER COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2006
 (Continued)

STATE LAWS AND REGULATIONS: (CONTINUED)

2006-4 The Former County Clerk Should Have Prepared Financial Reports And Settled With Fiscal Court Upon Vacation Of Office

The former County Clerk did not prepare quarterly financial reports for the periods ending September 30, 2006 or December 31, 2006, nor did he prepare an annual financial settlement for presentation to the fiscal court. KRS 68.210 requires the County Clerk to prepare quarterly financial reports and to present these reports to the Governor's Office for Local Development (GOLD). KRS 64.152 requires the County Clerk to "provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year of all funds received by his office ... and of all expenditures of his office." The County Clerk is required to pay excess fees to the fiscal court "at the time of filing the statement." The former County Clerk should have prepared quarterly financial reports and submitted these reports to GOLD in a timely manner. The former County Clerk should also have prepared an annual financial settlement and paid all excess fees to the fiscal court.

Former County Clerk's Response: I left the office on Dec 2006. I didn't have access to the computer system to prepare year end reports. ONE Time Occurance.

Auditor's Reply: Our comment refers to three different financial reports the former County Clerk did not prepare. Arrangements should have been made by the former County Clerk to settle all financial matters of the office.

2006-5 The Former County Clerk Should Have Paid Tangible Personal Property Taxes In A Timely Manner To The Burgin School District (\$6,995), The Harrodsburg School District (\$3,656), And The Mercer County Fiscal Court (\$7,297)

The former County Clerk should have paid tangible personal property taxes to all taxing districts in a timely manner. For January 2006, the former County Clerk failed to pay the Burgin School District \$6,995, and underpaid the Harrodsburg School District \$3,656. For February 2006, the former County Clerk failed to pay the Mercer County Fiscal Court \$7,297. KRS 134.815 states, "The county clerk shall, by the tenth of each month, ... pay to the state, county, city, urban-county government, school, and special taxing districts all ad valorem taxes on motor vehicles collected by him for the preceding month." These amounts have not been paid and are included as unpaid liabilities on the Schedule of Excess of Liabilities Over Assets.

Former County Clerk's Response: I left the office on Dec 2006 Once Again I didn't have access to the computer system in the Clerks office to get year end reports. ONE Time Occurance.

Auditor's Reply: The payments referred to in the comment were for the months of January and February of 2006. The former County Clerk prepared tangible personal property tax reports for these months, however, the payments were not made to the taxing districts as required.

MERCER COUNTY
 RONNIE COMPTON, FORMER COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2006
 (Continued)

STATE LAWS AND REGULATIONS: (CONTINUED)

2006-6 The Former County Clerk Should Have Paid \$4,822 In Delinquent Property Taxes In A Timely Manner

The former County Clerk should have paid delinquent property taxes to all taxing districts in a timely manner. The following schedule indicates all delinquent property taxes that were not paid by the former County Clerk:

Month	Taxing District	Amount
February 2006	Mercer County Fiscal Court	\$498
September 2006	Soil Conservation	61
December 2006	State of Kentucky	1,587
December 2006	Mercer County School	1,758
December 2006	Library	506
December 2006	Extension	163
December 2006	Health	212
December 2006	Soil Conservation	18
December 2006	Fire	<u>19</u>
	Total Unpaid Delinquent Property Taxes	<u>\$4,822</u>

KRS 134.480 requires the County Clerk to pay on a monthly basis, all delinquent taxes collected (less a 10% fee) to the state, county, and all taxing districts. These amounts have not been paid and are included as unpaid liabilities on the Schedule of Excess of Liabilities Over Assets.

Former County Clerk's Response: I didn't have year end reports to prepare in A Timely Manner. This was a one time occurrence Due to vacating the office in Dec 2006.

Auditor's Reply: The former County Clerk prepared checks for the amounts above, however, the checks were not mailed to the taxing districts.

INTERNAL CONTROL – MATERIAL WEAKNESS:

2006-7 The Former County Clerk's Office Lacked Adequate Segregation Of Duties

The internal control structure of the former County Clerk's office lacked adequate segregation of duties. With regard to receipts, the former County Clerk's office consisted of deputy clerks who collected receipts and prepared daily checkouts. The former County Clerk then prepared daily deposit slips, made bank deposits, and posted transactions to the receipts ledger. The former County Clerk was also responsible for initiating expenditures, preparing and signing checks, and posting transactions to the disbursements ledger. The former County Clerk also prepared bank reconciliations, monthly reports, and financial statements.

MERCER COUNTY
RONNIE COMPTON, FORMER COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2006
(Continued)

INTERNAL CONTROL – MATERIAL WEAKNESS:

2006-7 The Former County Clerk's Office Lacked Adequate Segregation Of Duties
(Continued)

To strengthen controls over receipts, the former County Clerk should have allowed a deputy clerk to prepare daily deposit slips and post transactions to the receipts ledger. The former County Clerk should then have compared daily checkout sheets to deposits and subsequently to the amounts recorded in the receipts ledger. The comparison of the daily checkout sheets to bank deposits and the receipts ledger should have been documented by the former County Clerk to indicate approval and agreement of all amounts.

The former County Clerk should have allowed a deputy clerk to prepare expenditures based on invoices or monthly reports. Dual signatures should have been required on all checks (one signature being the official's) and a deputy clerk should have been responsible for posting amounts to the disbursements ledger. The former County Clerk should have subsequently compared disbursements to amounts recorded and documented the comparison by initialing records relevant to each transaction.

The former County Clerk should have required a deputy clerk to prepare monthly reports and monthly bank reconciliations. These should have been reviewed and approved by the former County Clerk.

The former County Clerk could have strengthened internal controls over all aspects of the office by allowing deputy clerks to prepare source documents and then reviewing and approving these documents.

Former County Clerk's Response: I Several Times, Requested A Deputy clerk To do my Reports. ["employee"- (name withheld)] She said She had Done it for the Bruce Harper but would not do it for me.

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Appendix A

Dear [Audit Manager] (Auditor Manager)

I recently received a copy of the 2006 Audit Report for the Mercer County Clerk's Office. I wholeheartedly disagree with the findings. While I was the Co. Clerk I feel that Public Funds were distributed for allowable purposes. According to the report Funk V Milliken Allowed Expenditures that are adequately documented, reasonable in amount, beneficial to the public and that are not primarily personal in nature.

Contract Labor / During the Election certain individuals were paid by checks to assist in the set up & delivery of voting machines weighing hundreds of pounds there are 17 precincts in Mercer County. This was necessary because one individual can not safely maneuver without creating bodily injury.

To decrease Expense I had Some
Volunteers but they were not Available
At Times Needed.

Cable TV This was Adelphia Internet
Service only. Not Cable TV. As Indicated
in the Audit. This was necessary For
Daily Functions in the Clerks Office.

Travel Expenses Mileage claimed Expenses

Were For County Clerk business. For Example
Co. Clerk Conventions, Training in Louisville.

Delivery Of Voting Machines and much Much More.

Attorneys Fees This legal representation was

Necessary To resolve an disgruntled Employee
issues with the Clerks Office. This was creating
a Hostile working Environment Noticeable to the
public. I contacted GOID For Advice and they
Recommended Getting Legal Rep For this issue.

Postage why was this disallowed? Postage is necessary for many aspects of the Clerk's Office. Not for personal use. (see Budget)

Sponsorship This were reasonable in amount and most certainly beneficial to the public. The Mercur Co Fair and Horse Show increase tourism and revenues to our County. Every Year. Pd For By A Check. Through Clerk's Office

Commercial Inv. This was a theft policy left in affect from former Co. Clerk. Larry Short to protect the Office. these disallowances were never an issue in previous Audits.

Why Now.

Insufficient Documentation.

Every payment to these organization were made by check.

During this Audit [Auditor] said He had
 teyed to contact me by Phone at Home
 and my cell Phone ^{over 15 Times}. However I dont Have
 a ANSWERING Machine At home but I do
 Have VoiceMail ON my cell Phone. I did
 Not Receive a message to call him on
 my cell Phone Voice Mail. My Hours
 At work are 8:30-7:00 M-F
 9:00-5:00 ON Saturday.

I understand By talking to [Auditor]
 that he now I worked At a

Can lot.
 in Hamedsburg

Thanks

Rami Copton

mailed
~~File~~ ON 10-25-2007

10-25-07

